

## Proposed Amendments to the Town Councils Act

The proposed amendments seek to ensure that Town Councils (TCs) deliver essential public services in a consistent, fair and sustainable way that serves the interest of residents, while retaining the autonomous nature of TCs. The review also recognises that the public expects transparency and accountability from TCs as they manage public funds and take responsibility for maintaining a good living environment for residents.

2. Bearing these in mind, MND is proposing to amend the Town Councils Act (TCA) to:

- (a) Clarify the roles and functions of TCs;
- (b) Improve TC governance;
- (c) Strengthen financial management in TCs; and
- (d) Enhance MND's regulatory oversight.

Given the similarities between TCs and charities (both entities are run autonomously, manage public funds and consist of volunteers who help out on a part-time basis), MND has taken reference from provisions in the Charities Act, where appropriate, and adapted them for the purposes of the TCA.

S/N	Proposed Amendment	Rationale for the Amendment
<b>(A) Clarify the Roles and Functions of TCs</b>		
1	<p><u>TCs should cooperate with government agencies to better serve residents' needs and interests</u></p> <p>Currently, TCs are vested with the function and duty to manage and maintain common property. But TCs do not own common property, and their powers are not unfettered. MND proposes amendments to make clear the boundaries of TCs' powers and autonomy in relation to HDB and other government agencies. Where government agencies are carrying out their statutory functions on common property, TCs should cooperate with government agencies to better</p>	<p>To facilitate government agencies carrying out their statutory functions in HDB estates.</p>

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	<p>serve the residents' needs and interests.</p> <p><i>Examples include the carrying out of upgrading works by HDB, installation of CCTV cameras by the Police to deter and detect crime, and carrying out of mosquito control measures by NEA for public health.</i></p>	
2	<p><u>TCs should not engage in substantial trading or financial activities that are incompatible with their core functions</u></p> <p>MND proposes amendments to make clear that TCs are not to engage in substantial trading or financial activities which are incompatible with or would detract TCs from their core functions in managing and maintaining common property in HDB estates.</p> <p>While TCs will still be allowed to collect charges for the use of common property for specific purposes and let out these spaces as part of its role in managing and maintaining common property, TCs should not be operating such commercial fairs or promotional events directly as TCs are not set up to carry out such activities.</p>	<p>To prevent TCs from being distracted from their core functions by being directly involved in commercial and financial activities.</p>
3	<p><u>TCs may be directed to make preparation for public emergencies</u></p> <p>MND will be empowered to direct TCs to make preparations for public emergencies.</p> <p><i>Examples include disease outbreak, disasters and terrorist attacks.</i></p>	<p>TCs manage HDB common property (e.g. lifts, electrical installations, common water pipes etc.) and would play an important role in the national framework for managing public emergencies.</p>

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<b>(B) Improve TC Governance</b>		
4	<p><u>Code of Governance for TCs to encourage best practices</u></p> <p>MND will introduce a Code of Governance which highlights the best practices for managing the accounts and internal controls in TCs. TCs will have to declare whether they adhere to the Code, and explain the areas of non-compliance, if any.</p> <p><i>[In the Charities sector, the Charity Council issues a Code of Governance for Charities and Institutions of a Public Character, which operates similarly on a comply-or-explain regime.]</i></p>	To promote good governance in TCs.
5	<p><u>TCs to notify residents and MND on key officer appointments</u></p> <p>MND proposes to require TCs to notify the public and MND when there are new appointments or changes to appointments of key officers. This includes the Chairman, Vice-Chairman, town councillors, Secretary/ General Manager and members of various TC committees.</p>	To improve transparency and public accountability of TC appointments.

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6	<p><u>TCs to improve management of conflict of interest situations</u></p> <p>MND proposes amendments to clarify that a TC member or staff has a conflict of interest if he/she or his/her associate<sup>1</sup> has a personal or financial interest in the decision of the TC, and to outline procedures for declaring and keeping records of such conflicts.</p>	<p>To ensure better management of conflict of interest situations in the TCs, and avoid conflict of interest in the decisions of the TC.</p>
7	<p><u>TCs to ensure timely submission of audited financial statements</u></p> <p>TCs will be required to submit audited financial statements and reports to MND within 6 months after the close of the financial year.</p> <p><i>[There is a similar provision under the Charities Act, where charities are required to prepare and submit an annual report to the Commissioner of Charities within 6 months from the end of each financial year.]</i></p>	<p>To clarify the timeframe within which TCs must submit their audited financial statements to MND, to ensure timely presentation to Parliament and the public.</p>

<sup>1</sup> This refers to a family member, business partner, director of his/her company, shareholder of his/her company, etc.

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<b>(C) Strengthen Financial Management in TCs</b>		
8	<p><u>TCs to set up new Lift Replacement Fund to ring-fence funds for future lift replacement expenses</u></p> <p>TCs will be required to set up a dedicated Lift Replacement Fund for cyclical replacement of lifts and critical lift parts. Currently, TCs are required to set up an Operating Fund for daily operations and a Sinking Fund for cyclical works (including lift replacement).</p> <p>Given the lumpy and back-loaded nature of cyclical replacement expenses, MND will be seeking inputs from TCs on higher contribution rates to their Sinking Funds and Lift Replacement Funds (i.e. minimum contributions from their S&amp;CC collections and government grants).</p>	<p>To ensure that TCs have enough funds for the replacement of lifts and critical lift parts over the long run.</p>
9	<p><u>TCs to prepare and submit medium-term financial projections to MND</u></p> <p>TCs will be required to prepare and submit to MND their medium-term financial projections for their Operating Funds, Sinking Funds and Lift Replacement Funds.</p>	<p>To instil financial discipline in TCs.</p>

S/N	Proposed Amendment	Rationale for the Amendment
<b>(D) Enhance MND's Regulatory Oversight</b>		
10	<p><u>MND will be able to require TCs facing financial insolvency to take mitigating actions.</u></p> <p>In the event that a TC is facing possible financial insolvency, MND may instruct the TC to take mitigating actions to bring the TC out of insolvency, and/or to safeguard the TC's funds for essential services.</p>	<p>To pre-empt and avoid disruptions of essential services to residents in the event of TCs being unable to pay for or continue providing services to residents.</p>
11	<p><u>MND will be able to initiate compliance reviews and investigations for better regulatory oversight of TCs</u></p> <p>MND, as regulator of TCs, will be empowered to conduct compliance reviews on TCs to check for compliance with the TCA and TC rules.</p> <p>If there are reasonable grounds to suspect a material irregularity in the conduct of the TC's affairs, MND may appoint inspectors to conduct the investigation.</p> <p>MND may also issue a rectification order to a TC, specifying the remedial action to be taken by the TC within a stipulated timeframe.</p> <p><i>[There are similar provisions in the Charities Act, where the Commissioner may institute inquiries. The Commissioner or individuals appointed by him to conduct the inquiry may by order require any person to furnish accounts and statements in relation to the inquiry.]</i></p>	<p>To allow MND as regulator to ensure good governance in TCs, and investigate instances of irregularities where necessary.</p>

S/N	Proposed Amendment	Rationale for the Amendment
12	<p><u>A better calibrated penalty framework</u></p> <p>To enhance the regulatory framework for TCs, more penalty provisions will be added to prevent clear and egregious contraventions, such as:</p> <p>(a) Withholding of information to MND; and  (b) Failure to submit audited reports.</p> <p><i>[The proposed penalty provisions will mirror the penalty provisions in the Charities Act, where applicable.]</i></p>	<p>To allow MND as regulator to enforce provisions in the TCA and TC Rules.</p>

3. Members of the public can submit their comments and suggestions by 17 November 2016, via the following channels:

- Email to: [feedback@mnd.gov.sg](mailto:feedback@mnd.gov.sg)
- Fax to: 6325 7254
- Post to: Ministry of National Development  
5 Maxwell Road #21-00  
Tower Block MND Complex  
Singapore 069110  
Subject: Proposed Amendments to the Town Councils Act

4. We regret that we will not be able to individually acknowledge or address every comment or suggestion that we receive. We will not disclose the identity of person(s) providing the feedback, to maintain the confidentiality of feedback received.

**Issued by: Ministry of National Development**  
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